

1. Explain the following economic terms and concepts. Refer to your textbook and notes to help you if needed.

Capital employed .....

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Market share .....

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Merger .....

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Takeover .....

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Horizontal integration .....

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Vertical integration .....

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Lateral integration .....

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Diversification .....

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Internal economies of scale .....

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External economies of scale .....

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Diseconomies of scale .....

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Management diseconomies .....

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Increasing returns to scale .....

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Decreasing returns to scale .....

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2. What economies of scale are the following news articles describing?

Budget airlines including Spice Jet of India, Air Asia in Malaysia and Tiger Airways of Singapore are all planning to diversify into new markets by increasing the number of routes they fly including new long-haul services to Europe and Australia.

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Global fashion company Zara manufactures, distributes and sells all its own clothes using its own fleet of vehicles and through its own retail outlets across the globe. A key part of Zara's overall marketing strategy is to rapidly introduce new clothing lines and have them on sale within its stores for only four weeks until they are replaced. To do this the company controls all aspects of its distribution channel to the final consumer. This enables the company to distribute its new clothes to its retail stores quickly and cheaply to meet its marketing objectives.

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Italy has one of the strongest textile industries in Europe and is the third largest global supplier of clothing after China and Japan. There are a number of defined clothing districts in Italy. Over time these have attracted a growth in specialized suppliers, which carry out specific phases of the clothing manufacturing process such as dyeing, ironing and embroidering for the main clothing manufacturers. These production phases can add significant value to the final product.

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